

TOWN OF MILTON
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006

**TOWN OF MILTON
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FOR THE YEAR ENDED JUNE 30, 2006**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Milton
106 Dorman Street
Milton, Delaware

We have performed the procedures enumerated below, which were agreed to by Town of Milton and the State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist you with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2006 on Page 4. The Town of Milton's Management is responsible for compliance with those requirements. This agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards* (2003) issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants that have been incorporated by *Government Auditing Standards* (2003). The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Document understanding of cash disbursement internal control structure over Municipal Street Aid grant funds from discussion with management and report internal control weaknesses.

FINDING NO. 06-1 - During completion of the program checklist for the Municipal Street Aid grant, it was noted the Town disbursed the funds on eligible expenditures per the supporting documentation, but the Town could not provide the cancelled checks for 12 of the 25 expenditures tested. Cancelled checks are part of the needed supporting documentation ("Guidelines for Municipal Street Aid Funding) for Municipal Street Aid grant disbursements.

RECOMMENDATION - The Town should request that the bank allow them access to copies of the cancelled checks either through the website or to copies of the checks sent to the Town.

TOWN'S PLAN FOR CORRECTIVE ACTION

"We are now receiving a sheet with our bank statements that shows all of the cancelled checks on it."

2. Complete the State of Delaware Auditor of Accounts municipal grants agreed-upon procedure program to determine the Town's compliance with applicable laws, regulations and financial reports related to municipal grant funds received during the year ended June 30, 2006. Detail any instances of noncompliance.

FINDING NO. 06-2 - During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, it was noted that the Town inappropriately deposited Highway Special Funds totaling \$ 29,271.80 into the Municipal Street Aid account. Municipal Street Aid funds are to be maintained in a separate account as required by 30 Del. C. §5165(a). Noncompliance with the grant's requirements could adversely affect future awards to the Town.

RECOMMENDATION - The Town should transfer \$ 29,271.80 from the Municipal Street Aid bank account and implement procedures to prevent future commingling of funds.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"We will only deposit MSA money into the MSA accounts to ensure proper reporting of eligible municipal street aid expenses and account balances."

FINDING NO. 06-3 - During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, it was noted that their annual financial report was submitted timely to the Office of the State Treasurer, but the financial report was not accurately prepared or reviewed [30 Del. C. §5165(b)(2)]. The beginning balance was understated by \$ 38,949.06, receipts were understated by \$ 2,000.06, disbursements were understated by \$ 47,350.22 and ending balance was overstated by \$ 6,401.10 on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

RECOMMENDATION - The Town should more carefully prepare and review the amounts on the annual report to ensure an accurate presentation.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town of Milton will obtain and submit the annual report with the actual amounts of cash on hand at the beginning and end of the reporting period."

FINDING NO. 06-4 - During completion of the Town of Milton's program checklist for the Municipal Street Aid grant, we were unable to determine if the bid process was followed in accordance with 29 Del. C. §6923 and 30 Del. C. §5165(b)(3) for eligible street expenditures incurred, due to the lack of documentation retained during a prior Town administration in a prior year. Failure to maintain proper documentation could affect future funding to the Town.

RECOMMENDATION - Policies and procedures should be in place to ensure that proper records are retained to demonstrate compliance with applicable laws and regulations regarding procurement with State of Delaware funds.

TOWN'S PLAN FOR CORRECTIVE ACTION:

"The Town of Milton was unable to locate if the State of Delaware bid procedures were followed, because of changes from previous administration and employee turnover. The Town is now aware of the guidelines and will comply in the future."

3. Note all situations or transactions that could be indicative of fraud, illegal acts, material errors, defalcations, irregularities or gross violations of the grant agreements and abuse or misuse of State funds.

During completion of the program checklist, no fraud, illegal acts and violations of provisions of contracts or grant agreements and no abuse or misuse of state funds were noted.

4. Prepare the Town's Schedule of Municipal Grants received during the year ended June 30, 2006.

See Page 4.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the Town's compliance with Delaware's laws and regulations, financial reporting and the effectiveness of the internal control structure related to municipal grant funds. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the Town of Milton's Management and Council Members, Department of Homeland Security, Office of the State Treasurer and Office of Auditor of Accounts, and is not intended to be and should not be used by anyone other than those specified parties. However, under 29 Del. C. §10002(d), this report is a public record and its distribution is not limited.

Jefferson, Ulan, Doane & Starnes, P.A.

Georgetown, Delaware
November 15, 2006

**TOWN OF MILTON
SCHEDULE OF MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2006**

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<u>Grants</u>	<u>Award Amount</u>
Municipal Street Aid	\$ 58,069.96
Police Pension	25,467.08
State Aid to Local Law Enforcement	5,450.33
Emergency Illegal Drug Enforcement	4,272.47

See independent accountant's report on applying agreed-upon procedures.